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DE RUEHLB #0063 0151203  
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R 151203Z JAN 09  
FM AMEMBASSY BEIRUT  
TO RUEHC/SECSTATE WASHDC 3998  
INFO RUEHEE/ARAB LEAGUE COLLECTIVE  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/USDOC WASHDC

UNCLAS BEIRUT 000063

SENSITIVE

SIPDIS

STATE FOR F  
STATE FOR NEA/ELA  
STATE PASS USTR FRANCESCKI  
STATE PASS USAID BEVER/LAUDATO/SCOTT  
TREASURY FOR PARODI/BLEIWEISS/AHERN  
USDOC FOR 4520/ITA/MAC/ONE

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [LE](#)

SUBJECT: LEBANON: ASSESSING THE IMPLICATIONS OF THE GLOBAL FINANCIAL  
CRISIS ON U.S. ASSISTANCE PROGRAMS

REF: A. 08 STATE 134905

[1](#)B. 08 BEIRUT 1534

[1](#)1. (SBU) The international financial crisis is not expected to affect the results of ongoing bilateral assistance programs in Lebanon. As highlighted in detail in Ref B, Lebanon has so far managed to avoid most of the impact of the global financial crisis. Lebanese banks have minimal lQks to foreign counterparties affected by the crisis, and the regulatory framework prevented Lebanese banks' exposure to structured financial products. Because of the strength of the banking sector, bank deposits have actually increased in Lebanon since the crisis began, with funds coming in from the Lebanese diaspora.

[1](#)2. (SBU) Nonetheless, the slowdown in the Gulf may yet have an impact on the Lebanon in the short and medium term. The Lebanese economy has long been boosted by a regular stream of remittances from Lebanese in the Gulf and elsewhere; around 350,000 Lebanese, or one third of the workforce, are employed in the Gulf at salaries more than four times those of workers in Lebanon. If the Gulf economy declines, the impact on Lebanon's economy will clearly be negative. Already some laid-off Lebanese workers have returned from the Gulf, and if the trend continues, the result will be higher unemployment and less disposable income for families used to receiving remittances. Addressing the Association of Banks in Lebanon in December 2008, Governor Riad Salameh of the Central Bank of Lebanon urged local banks to offer more loans to the private sector in 2009, in an attempt to create jobs and boost GDP growth.

[1](#)3. (SBU) To address the potential negative impact in Lebanon, USAID assistance programs in Lebanon in 2009-2011 will continue to focus on economic growth through increasing job opportunities, new business creation, income generation, access to finance, and exports.

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